

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

IN RE REGIONS MORGAN KEEGAN
SECURITIES, DERIVATIVE and ERISA
LITIGATION

This Document Relates to:

Landers v. Morgan Asset Management, Inc.,
No. 2:08-cv-02260-SHM-dkv

MDL Docket No. 2009

Judge Samuel H. Mays, Jr.

Magistrate Judge Diane K. Vescovo

**STATUS REPORT OF THE NEW BOARD AND NOMINAL DEFENDANTS'
AND PLAINTIFFS' JOINT MOTION TO EXTEND STAY OF ACTION**

Pursuant to the Court's Order Granting Defendants' Motion to Extend Stay, dated October 27, 2010 ("Order"), the New Board¹ respectfully submits this Status Report to advise the Court of a Memorandum of Understanding ("MOU") that has been reached between the nominal defendants (the "Funds") and the Derivative Plaintiffs and their counsel ("Plaintiffs"). At the same time, in order to provide the necessary time for the motions and filings necessary to implement the MOU, the Funds and Plaintiffs move this Court for the entry of an order extending the stay of this action pending the completion of such steps necessary to implement the MOU.

In a Status Report of the New Board dated October 22, 2010, the New Board alerted the Court that counsel for the Funds had been engaged in communications with Plaintiffs' counsel with respect to possible resolution of certain issues related to the pending litigation; at that time,

¹ These terms, and any other capitalized terms not defined herein, shall be defined as they are in the Order. The New Board refers to the Board of Directors of nominal defendants Helios Select Fund, Inc. (formerly Morgan Keegan Select Fund, Inc.), Helios Select Short Term Bond Fund (formerly Regions Morgan Keegan Select Short Term Bond Fund), Helios Select Intermediate Bond Fund (formerly Regions Morgan Keegan Select Intermediate Bond Fund) and Helios Select High Income Fund (formerly Regions Morgan Keegan Select High Income Fund) (collectively, the "Funds").

the New Board sought a 35-day extension of the stay previously granted by the Court, to, among other things, facilitate such discussions. As a result of those continued discussions, the Funds and the Derivative Plaintiffs (and counsel) have entered into the MOU, a copy of which is attached as Exhibit A hereto. Without limiting the terms of the attached MOU, the Funds have reached a settlement of claims in the *Open-End Fund Litigation*², whereby without admitting or denying liability but consenting to the Court's jurisdiction, judgment is to be entered against only the Funds on the Section 11 claim against them in that litigation, placing the putative settlement class in the position of a judgment creditor of the Funds; the judgment debt is to be satisfied solely out of recovery by the Funds on their derivative claims in this derivative action, as provided more fully in the MOU. Among other things, the MOU provides that the current Derivative Plaintiffs' counsel shall represent the Funds in pursuing such claims, and provides that the former independent director defendants may be dismissed without prejudice from this derivative action, subject to the terms set forth more fully in the MOU.

Motion and Memorandum in Support

To implement the MOU, Plaintiffs' and the Funds' counsel have identified the following steps that may be required in the near term:

1. Filing a motion pursuant to Fed. R. Civ. P. 23 for preliminary approval of the partial settlement in the *Open-End Fund Litig.* with the Funds and certification of a settlement class with respect to the entry of judgment against the Funds on the § 11 class claim. Class Plaintiffs shall request that the Court allow notice and final approval to be deferred at this time. Should such approval be granted, the judgment shall be filed pursuant to a stipulation between class Plaintiffs and the Funds.
2. Filing a motion pursuant to Fed. R. Civ. P. 23.1 for approval of the terms of the MOU and for an order that the demand requirement of Rule 23.1 has been satisfied. In the event such approval is obtained, the firms of Head, Seifert & Vander Weide, P.A., Lockridge Grindal Nauen PLLP, Apperson Crump PLC, and Zimmerman Reed, P.L.L.P. shall appear as counsel for the Funds in this action in substitution for Paul, Hastings, Janofsky & Walker LLP.

² In re Regions Morgan Keegan Open-End Mutual Fund Litig., C.A. No. 2:07-cv-02784-SHM-dvk (W.D. Tenn.).

3. Plaintiffs' counsel shall complete additional review of relevant materials regarding dismissal without prejudice of the former independent directors, and the Funds and former independent directors shall enter a stipulation regarding the terms of dismissal and file a voluntary dismissal pursuant to Fed. R. Civ. P. 41.
4. Filing a motion in this action for an Order realigning the Funds as plaintiffs or for leave to file a Second Amended Complaint realigning the Funds as plaintiffs and, if the Funds so determine, adding such additional claims, defendants, and facts as the Funds may deem appropriate.

Plaintiffs' and the Funds' counsel believe that the above steps can be completed within 120 days following the date of the Court's order approving the MOU.

WHEREFORE, the undersigned respectfully requests that the Court extend the stay of this action pending the completion of the steps described above. A proposed order will be transmitted to the Court via e-mail in accordance with the requirements of Local Civil Rule 7.2(a)(1)(A). A Certificate of Consultation is being filed herewith in accordance with the requirements of Local Rule 7.2(a)(1)(B).

Dated this 30th day of November, 2010.

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Dated this 30th day of November, 2010.

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CERTIFICATE OF SERVICE

I hereby certify that on November 30, 2010, I electronically filed the foregoing document with the Clerk of the Court by using the CM/ECF system which will send a notice of electronic filing to the following and/or served the following via U.S. Mail:

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